



STATE OF WASHINGTON  
DEPARTMENT OF RETIREMENT SYSTEMS

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March 22, 2006

TO: Steve Nelsen, Executive Director  
Law Enforcement Officers and Firefighters' Plan 2 Board

Shawn Merchant, Deputy Director  
Law Enforcement Officers and Firefighters' Plan 2 Board

FROM: Marcie Frost, Senior Assistant Director for Operations  
Department of Retirement Systems

SUBJECT: LEOFF 2 Statement of Benefits

Thank you for the invitation to meet and visit your offices. Peter and I enjoyed the opportunity and hope we were able to provide you with the information you needed. I have summarized our Monday meeting, highlighting options that address your request to include supplemental information on the annual statements provided to Law Enforcement Officers' and Firefighters (LEOFF) Plan 2 members by the Department of Retirement Systems (DRS).

We used the following assumptions when preparing our analysis and cost estimates. I organized the information based on the three possible options we discussed:

1. Include beneficiary designations and instructions on how to designate or change an existing beneficiary.
2. Include a total of the reported salary for the past calendar year.
3. Include a projected Final Average Salary (FAS) calculated by using the total of the reported salary for the past calendar year OR Include a projected Final Average Salary (FAS) calculated using the highest consecutive 60 months.
4. Include a projected service credit total. Current service credit will be increased by 1 for each month until age 53.
5. Include a projected monthly retirement benefit including survivor reductions if the member has a beneficiary designation.
6. Include a 150% withdrawal amount if the member is eligible.
7. Delivery of statements would remain through the employers.

### Option 1

This option includes the *actual* salary for the past calendar year and *projects* the FAS. One potential drawback to this option is that it may produce different results from our new online service for estimates. Since Defined Benefit Account Access (DB Access) uses actual reported salary to calculate the FAS, the projected amount and the actual amount may be different. Anticipated costs with resources from information systems, retirement services and communications are estimated at \$99,502 with an annual maintenance cost of \$6,000. The estimated length of the project is 21 weeks.

### Option 2

This option would use the *actual* salary reported by employers to calculate the highest consecutive 60 months (retrieved from the DRS archive databases.) Anticipated costs with resources from information services, retirement services and communications are estimated at \$173,908 with an annual maintenance cost of \$10,500. The estimated length of the project is 36 weeks.

### Option 3

This option would refer members to the services offered through DB Access. This application provides beneficiary information as well as prior years' annual statements through a web interface. The ability to create an on-line estimate using actual member specific data is also available. Members can create multiple estimates using a variety of scenarios unique to their situation. Work under this option may include additional communication to LEOFF 2 members announcing this service. I have included your current enrollment numbers for LEOFF 2 members in the table below:

	<b>Actives &amp; Inactives</b>	<b>Annuitants</b>	<b>Total</b>	<b>DB Access Registrations</b>	<b>DB Access Estimates</b>	<b>Percent Registered</b>	<b>Percent Estimates</b>
<b>LEOFF 2</b>	15,855	630	16,485	4,278	1,748	26.0%	10.6%

DRS initiated on-line services starting in 2001 as a way of addressing a growing desire expressed by our customers to have retirement information accessible 7X24 through self-service options. Although this didn't replace other more high touch services we offer, it did provide new options for individuals who have grown accustomed to getting information through the web. We have received very positive remarks from members and retirees regarding these services and our future service delivery and technology focus will rely heavily on the steps we have already taken with on-line services.

Please let me know if this information adequately addresses your request. The anticipated costs outlined above are estimates based on assumptions related to the development cycle discussed in our meeting. A final estimate will be prepared prior to your April Board meeting. We will be available, at your request, for your April Board meeting to address any questions.

cc: Peter Tamayo, Assistant Director  
Information Services Division